

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6330**

**BILL NUMBER: HB 1355**

**DATE PREPARED:** Dec 4, 2000

**BILL AMENDED:**

**SUBJECT:** Tax Deduction for Active Duty Military Income.

**FISCAL ANALYST:** Brian Tabor

**PHONE NUMBER:** 233-9456

**FUNDS AFFECTED:** X GENERAL  
DEDICATED  
FEDERAL

**IMPACT:** State & Local

STATE IMPACT	FY 2001	FY 2002	FY 2003
State Revenues			(9,800,000)
State Expenditures			
Net Increase (Decrease)			(9,800,000)

**Summary of Legislation:** This bill provides that an individual who is serving on active duty in the armed forces of the United States is entitled to an Adjusted Gross Income Tax deduction equal to the entire amount of the income received by the individual for the individual's active duty service.

**Effective Date:** January 1, 2002.

**Explanation of State Expenditures:** The Department of State Revenue (DOR) will incur some administrative expenses related to the revision of tax forms, instructions, and computer programs to incorporate these changes. These expenses could be absorbed given the DOR's existing budget and resources.

**Explanation of State Revenues:** *The additional revenue loss from expanding this income tax deduction is estimated to be \$9.8 M in FY 2003.*

This bill provides a tax deduction for the entire amount of income earned for active duty military service in the Army, Navy, Air Force, Coast Guard, Marine Corps, Merchant Marine, Indiana Army National Guard, and Indiana Air National Guard (current law provides a deduction of up to \$2,000 of income). This deduction would be effective for tax years beginning January 1, 2002. According to the Department of Defense, there are currently 16,917 Indiana residents who are serving on active duty as of October 2000. It is estimated that

the complete exemption of their income, net the existing \$2,000 deduction, would reduce Individual Adjusted Gross Income Tax revenue by \$9.8 M in FY 2003.

Individual Adjusted Gross Income Tax revenue is deposited in the General Fund.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Counties imposing local option income taxes will experience a minimal reduction in their revenue from these taxes.

**State Agencies Affected:** Department of State Revenue.

**Information Sources:** DOR; Department of Defense: Manpower Data Center, Mike Dove, (831) 583-2400.